

COUNCIL ON DEVELOPMENT FINANCE

August 14, 2017

PUBLIC HEARING 433

THOSE PRESENT:

Mr. Andrew Lubin, Chairman
Honorable Nancy Cook
Mr. Tarik Haskins
Mr. Jack Riddle
Mr. Richard Rowland
Mr. Fred Sears
Honorable Bryon Short

Mr. Cerron Cade, Chairperson, DEDA
Ms. Linda Parkowski
Ms. Patty Cannon
Mr. Michael Chesney
Mrs. Leilani Decena-Shepherd
Mrs. Jodie Green
Mrs. Sheryl Hill-Dyer
Mr. Lawrence Lewis, DAG
Mrs. Amy Reville
Mrs. Jordan Schulties

ALSO PRESENT:

The Independence School

Sallie Mae Bank

Mr. Lawrence D. Zepp, Senior Director, Facilities and Operations

General Refrigeration Company

Mr. Bob Grice, Vice President
Mr. David Root, SBDC

Prelude Therapeutics Incorporated

Dr. Kris Vaddi, CEO

Ms. Tracy Shickle, Delaware Innovation Space; Ms. Erin Innes, OMB; Mr. Art Jenkins, CGO;

LOCATION:

Buena Vista Conference Center
661 S. DuPont Highway, 1st Floor
New Castle, DE 19720

TIME:

9:02 a.m.

CALL TO ORDER:

The meeting was called to order 9:02 a.m. by Council Chairman Andrew Lubin, on Monday, August 14, 2017.

OLD BUSINESS:

Chairman Lubin asked the Council if there was a recommendation, on the April 24, 2017 minutes of the Council on Development Finance meeting. Mr. Fred Sears made a motion to approve and Honorable Nancy Cook seconded the motion, which was then adopted by unanimous vote. Chairman Lubin requested that Mrs. Green incorporate the July 24th minutes into today's meeting.

Chairman Lubin made a slight modification to the Agenda by inviting Sallie Mae to come forward and present first.

Sallie Mae Bank ("Sallie Mae" or the "Applicant") – The Applicant is requesting a Delaware Strategic Fund Grant in an amount up to \$2,160,000 to expand its customer service operations in New Castle, Delaware.

DEDA staff, Ms. Patty Cannon, Development Director and Business Ombudsman presented a brief review and stated that staff favorably recommends the approval of a Performance grant in an amount up to \$1,875,000 and a Displaced Employee grant in an amount up to \$285,000 to support Sallie Mae in the creation of 285 new full-time Delaware positions.

In response to Chairman Lubin's question; Mr. Lawrence Zepp, Senior Director of Facilities and Operations at Sallie Mae, explained that Sallie Mae is looking to expand its Delaware Customer Service operations and that at the headquarters they currently employ 800-900 employees and plan to add several hundred new jobs, utilizing the displaced employees from HSBC and Barclays.

Chairman Lubin asked if there were any questions or comments of the Council.

Ms. Cannon responded to Mr. Riddle's question by explaining that since we had assisted Sallie Mae in the past we were hesitant to assist again, but then Sallie Mae approached us with the creative idea of assisting them with the hiring of displaced employees from HSBC and Barclays. DEDA staff, Mrs. Schulties, Business Finance Director, confirmed that we do track our projects, assisted Sallie Mae in the past, and that there have been no issues with the administration of the grant. Ms. Cannon confirmed Senator Cook's comment that our reason for moving forward, with this request, was because of the new approach of targeting the displaced employees.

Motion Made By: Mr. Rowland
Seconded By: Senator Cook

Chairman Lubin asked if there were any public comments; there were none.

MOTION: After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$10,000, which funds, including the grant proceeds, will be available or expended on the date on which The

Delaware Economic Development Authority disburses the requested grant funds; (iv) the grant will effectuate the purposes of Chapter 87A, Subchapter I of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, the Council shall recommend to Mr. Cerron Cade, Chairperson, The Delaware Economic Development Authority, approval of a Delaware Strategic Fund Performance Grant in an amount not to exceed One Million Eight Hundred Seventy-Five Thousand Dollars (\$1,875,000) and a Strategic Fund Displaced Employee Grant for up to Two Hundred Eighty-Five Thousand Dollars (\$285,000) for a total not to exceed Two Million One Hundred Sixty Thousand Dollars (\$2,160,000), to be disbursed from the Delaware Strategic Fund for the Project, contingent upon the approval remaining in effect through and including August 14, 2018.

Approved By Vote of 7 to 0.

The Independence School ("Independence School" or the "Applicant") – The Applicant is requesting the Delaware Economic Development Authority (DEDA) act as a conduit issuer of tax-exempt bonds not to exceed \$7,000,000. The proceeds of the revenue bonds (the "Series 2017 Bonds") will be applied to make a loan to the applicant to refund the remaining outstanding amount of the Series 2010 revenue bonds issued by DEDA. The proceeds of the revenue bonds will be applied to make a loan to the Applicant to:

(A) currently refund all or a portion of The Delaware Economic Development Authority (the "Authority"), Refunding Revenue Bond (The Independence School Project) Series 2010 (the "Series 2010 Bond"), which was issued to currently refund the outstanding amount of the Authority's Adjustable Rate Demand Revenue Bonds (The Independence School Project) Series 2003 (the "Series 2003 Bonds"). The Series 2003 Bonds were originally issued to finance (i) various facilities for the Applicant, a K-8 coeducational day school, such as the construction of a new 900 seat auditorium, instrumental music room, vocal music room, drama room, multipurpose room, library/media center, classrooms, new admissions office, faculty room, nursing station, athletic facilities, and other school facilities and including some renovations to existing buildings, the new construction to consist of approximately 66,000 square feet, not including the athletic fields; (ii) capitalized interest on the Series 2003 Bonds, and (iii) credit enhancement and other costs of issuance for the Series 2003 Bonds;

(B) certain capital improvements of school facilities; and

(C) pay the costs of issuance of the Series 2017 Bonds, including termination or other costs related to any qualified interest rate hedge or credit enhancement.

The project is owned and operated by the Applicant.

Mr. Zilcosky then stated DEDA's recommendation in support of the issuance and invited questions.

Chairman Lubin asked if there were any questions.

In response to Mr. Riddle's question, Jordan responded by confirming that we do have a commitment letter from WSFS.

Chairman Lubin asked if there was a recommendation from the Council.

Motion Made By: Mr. Sears
Seconded By: Mr. Rowland

Chairman Lubin asked if there were any public comments; there were none.

MOTION: After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: financing the Project will meet a need for assistance in financing the facilities and activities of the Applicant, as an exempt person within the meaning of 29 *Del. C.* §8752A(8), in order to contribute to the prosperity, health and general welfare of the citizens of Delaware; and further that the Council shall recommend to Mr. Cerron Cade, Chairperson, The Delaware Economic Development Authority, approval of the request that the Delaware Economic Development Authority (DEDA) act as a conduit issuer of tax-exempt bonds, subject to WSFS bank credit approval, not to exceed Seven-Million-Dollars (\$7,000,000) and contingent upon the approval remaining in effect through and including August 13, 2018.

Approved By Vote of 7 to 0.

General Refrigeration Company ("General Refrigeration" or the "Applicant") – The Applicant is requesting a Delaware Strategic Fund Grant in an amount up to \$433,500 to increase manufacturing capacity through employment expansion, infrastructure costs, equipment and the construction of a new facility, in Sussex County.

Former Business Development Leader with DEDA, Mr. David Root, presented background information on the relationship between DEDA and General Refrigeration and also stated the staff recommendation. Mr. Bob Grice, Vice President of General Refrigeration, continued with additional background and information on General Refrigeration and stated that they cannot build at their current location and plan to build a new facility. In answer to Chairman Lubin's question, Mr. Grice confirmed that they are in the food and beverage industry and that they do business throughout the east coast. He also stated that 80% of its business is in the poultry industry.

Mr. Grice, in answer to Mr. Sears' question stated that yes, there are skilled workers in Delaware that are qualified. Mr. Root added that there will be an area in the new facility for training.

In answer to Mr. Riddle's questions, Mr. Grice confirmed that the new facility is owned by an LLC and that they are relocating all the equipment from the other building. He went on to explain that they have the land, the building is being designed, and they hope to move into the new facility within a year to year and a half.

Chairman Lubin asked if there were any other questions; there were none. He then asked if there was a recommendation from the Council.

Motion Made By: Representative Short
Seconded By: Mr. Sears

Chairperson Lubin asked if there were any public comments; there were none.

MOTION: After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$10,000, which funds, including the grant proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested grant funds; (iv) the grant will effectuate the purposes of Chapter 87A, Subchapter I of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, the Council shall recommend to Mr. Cerron Cade, Chairperson, The Delaware Economic Development Authority, approval of a Delaware Strategic Fund performance grant in an amount not to exceed One Hundred Ninety-Five Thousand Dollars (\$195,000.00), and a capital expenditure grant in an amount not to exceed Two Hundred Thirty-Eight Thousand Five Hundred Dollars (\$238,500.00), for a total not to exceed Four Hundred Thirty-Three Thousand Five Hundred Dollars (\$433,500.00), to be disbursed from the Delaware Strategic Fund for the Project, contingent upon the approval remaining in effect through and including August 13, 2018.

Approved By Vote of 7 to 0.

NEW BUSINESS:

Prelude Therapeutics Incorporated ("Prelude" or the "Applicant") – The Applicant is requesting a Delaware Strategic Fund Grant not to exceed \$474,491 related to their planned expansion in New Castle County. Prelude is currently located at the STAR Campus in Newark, Delaware.

DEDA staff, Ms. Patty Cannon, presented the project to the Council and gave background information on the project and highlighted the business case for granting a Delaware Strategic Fund Grant, stating that they currently have nine full-time employees and if funded would provide working capital for expansion which is projected to create another 23 full-time jobs. She continued by giving a short introduction to Mr. Kris Vaddi; Mrs. Schulties presented the financial analysis of the company.

Mr. Vaddi commented briefly on Mr. Riddles question, stating that the next raise will hopefully

be completed within the next few weeks and that the first raise was \$5,000,000 and that he was confident that they will be well funded. He went on to say that the term sheet was complete, but the SEC filing has not occurred and that is the reason the amount cannot become public information, at this time.

In response to Mr. Sears' question concerning recruitment, Mr. Vaddi stated that he has knowledge of several biotech people interested in relocating to Delaware and being part of a start-up company.

Chairman Lubin inquired about where Prelude would be relocating; Mr. Vaddi responded by stating that they are in advanced negotiations with DuPont Experimental Station, Delaware Innovation Space, hoping to move into Building 400 and utilize ½ of one of the floors which will be adequate space for their needs and equipment. He went on to say that they hope to sign the lease this week. Ms. Cannon clarified that they will remain in Delaware even if they this lease does not go through. Additional comments were made on the advantages of the location at Delaware Innovation space. Mr. Vaddi also expressed his enthusiasm toward this location.

Mr. Riddle commented and wanted it on record that he hoped that this Grant would be contingent on satisfactory review of Prelude receiving the raise. In answer to Mr. Haskins question, Mr. Vaddi confirmed that the capital raise is necessary for the expansion and went on to state that the term sheet has been signed by all parties.

Chairman Lubin asked if there were any other questions of Council; there were none. He then asked if there was a recommendation from the Council.

Motion Made By: Mr. Rowland
Seconded By: Senator Cook

Chairperson Lubin asked if there were any public comments; there were none.

MOTION: After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$10,000, which funds, including the grant proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested grant funds; (iv) the grant will effectuate the purposes of Chapter 87A, Subchapter I of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, the Council shall recommend to Mr. Cerron Cade, Chairperson, The Delaware Economic Development Authority, approval of a Delaware Strategic Fund performance grant in an amount not to exceed Three Hundred Twenty Thousand Two Hundred Eighty-Eight Dollars (\$320,288.00), a retention grant in an amount not to exceed One Hundred Eight Thousand Three Hundred Three Dollars

(\$108,303.00), and a capital expenditure grant in an amount not to exceed Forty-Five Thousand Nine Hundred Dollars (\$45,900.00), for a total not to exceed Four Hundred Seventy-Four Thousand Four Hundred Ninety-One Dollars (\$474,491.00), to be disbursed from the Delaware Strategic Fund for the Project, contingent upon the approval remaining in effect through and including August 13, 2018.

Approved By Vote of 7 to 0.

EXECUTIVE SESSION:

Mr. Sears made a motion that the Council go into Executive Session pursuant to 29 Del. C. §10004(b) to conduct a strategy session for the purpose of obtaining legal advice or opinion from an attorney-at-law, with respect to pending or potential litigation related to collection issues, which if conducted in an open meeting, would have an adverse effect on the bargaining or litigation position of the Authority, which do not constitute public records within the meaning of 29 Del. C., § 10002(l). The motion was seconded by Mr. Riddle, which was then adopted by unanimous vote.

Mr. Riddle made a motion that the Council go out of executive session. The motion was seconded by Mr. Rowland, which was then adopted by unanimous vote.

ADJOURNMENT:

Motion Made By: Mr. Riddle
Seconded By: Mr. Sears

The meeting adjourned at 9:50 a.m.

Respectfully submitted,

Jodie L. Green, Secretary of Council on Development Finance
JLG

cc: Members of the Council on Development Finance
Cerron Cade, Chairperson, The Delaware Economic Development Authority
Linda Parkowski, Deputy Director, Delaware Division of Small Business,
Development and Tourism
Jordan Schulties, Business Finance Director, Delaware Division of Small Business,
Development and Tourism
Lawrence Lewis, DAG

The next CDF meeting is scheduled for Monday, September 25, 2017 at 9:00 a.m. at the Buena Vista Conference Center in New Castle, Delaware.